

Fed Chairman Ben Bernanke told House Republicans Friday that the United States would fall quickly into "a deep and extensive recession" if Congress doesn't act to address the nation's financial crisis, congressional sources told Politico.

Bernanke and Treasury Secretary Henry Paulson briefed the Republicans during a conference call Friday morning. Several people on the call – including one who took extensive notes – said that Paulson told the members they had “no choice” but to grant his department authority for massive bailouts because the strain on the financial system is “so significant.”

"If we don't get this (authority), it will be nothing short of a disaster for our markets," the participants quoted Paulson as saying.

Bernanke called the current problems the "most severe financial crisis" in the post-World War II era. Investment banks are seeing "tremendous runs on their cash," Bernanke said. "Without action, they will fail soon."

Calling the situation "quite dire," Bernanke warned Republicans that many of their constituents could lose massive sums of money if lawmakers don't grant Treasury and the Federal Reserve the powers they're seeking.

House Republican Leader John A. Boehner started the call by warning his colleagues that "America faces an unprecedented challenge that threatens our economy and the world economy."

Wisconsin Rep. Paul Ryan, an outspoken conservative and the ranking Republican on the Budget Committee, asked Paulson whether he had considered using private money as part of this expanded authority. Paulson said the private sector was under too much pressure right now, telling Ryan that "decisive" government intervention was the only way to do this.

Texas Rep. Jeb Hensarling, who sent a letter to Bernanke and Paulson on Thursday asking them to stop using taxpayer money to prop up financial institutions, asked both men what alternatives they considered before asking lawmakers to "support the largest taxpayer bailout ever."

Hensarling asked specifically about revisiting accounting standards that force companies to peg assets to the markets. In response, Paulson told him that the "magnitude here is so significant" that there was not much discussion of accounting rules as a response to this crisis.

California Rep. John Campbell asked how Treasury will price the assets on which it bids. Paulson said officials are still working out those details with Congress, and he acknowledged that this intervention will not prevent every company from failing.